

1 MR. GULAY: Objection.

2 MS. BUNTING: Objection.

3 A. Both my own funds and Ripple's funds.

4 Q. When you held your [REDACTED] XRP  
5 before you sold it, did you want the price of --  
6 of XRP to go up while you held it?

7 MR. GULAY: Objection.

8 MS. BUNTING: Objection.

9 A. I certainly preferred it to go up than  
10 down.

11 Q. Okay. And when did you leave Ripple?

12 A. Mid to late 2015.

13 Q. And why did you leave Ripple?

14 A. General sense of burnout after working  
15 very long hours for two years, as well as from a  
16 risk management perspective, feeling like the  
17 outcome of Ripple, like I viewed all technology  
18 start-ups, early stage start-ups, to have a fairly  
19 binary outcome of success or failure over time.  
20 And from a risk management perspective, once you  
21 have the trade on, so to speak, it often makes  
22 sense to diversify and do something else rather  
23 than devoting ten years of your life to a binary  
24 outcome.

25 Q. Are you still in touch with your former

1 Rip -- Ripple colleague?

2 A. Yes, I am.

3 MS. BUNTING: Objection.

4 Q. Who --

5 MS. STEWART: What was the  
6 objection there?

7 MS. BUNTING: You said "Are you  
8 still in touch" --

9 THE REPORTER: I can't hear you.

10 MS. BUNTING: She said "Are you  
11 still in touch?" What does that mean?

12 MS. STEWART: Okay.

13 MS. BUNTING: Can you -- I think  
14 that's ambiguous. So you can rephrase it.

15 BY MS. STEWART:

16 Q. Okay. If you understand what that  
17 means, please answer.

18 A. Yes, I am.

19 Q. Okay. Who are you in touch with?

20 A. Primarily Patrick Griffin and [REDACTED]  
21 [REDACTED] though I have sporadic conversations with  
22 a large number of people from the firm.

23 Q. Okay. How often do you speak with  
24 Patrick Griffin?

25 A. At least once a month.

1 Q. Do you consider any of your former  
2 Ripple colleagues to be friends?

3 A. Yes.

4 Q. Who?

5 A. Patrick Griffin and [REDACTED] the  
6 two that I mentioned that I'm in touch with  
7 regularly.

8 Q. Are you in touch with Chris Larsen?

9 MS. BUNTING: Objection.

10 A. Not regularly.

11 Q. Okay. When was the last time you spoke  
12 with Mr. Larsen?

13 A. Over a year ago. The exact date I'm  
14 not -- I'm not sure of.

15 Q. What did you speak with him about over a  
16 year ago?

17 A. I solicited him for investment in my  
18 real estate project and he did not want to invest  
19 in it.

20 Q. Do you know Brad Garlinghouse?

21 A. I do.

22 Q. How do you know him?

23 A. Through my time at Ripple as an  
24 employee.

25 Q. So did you and Mr. Garlinghouse overlap

1 at Ripple?

2 A. We did.

3 Q. Okay. Are you in touch with him?

4 A. I have not spoken to him for a very long  
5 time.

6 Q. Okay. I want to make sure that we're  
7 using the right terminology here as we talk -- as  
8 we talk here today.

9 So when -- when you first joined Ripple,  
10 was there something called the Ripple network?

11 A. There was a technology which people  
12 referred to as "Ripple," which may also -- you  
13 know, I think that's what you're referring to when  
14 you say "the Ripple network." People today often  
15 call it the Ripple Consensus Ledger --

16 Q. Okay.

17 A. -- so yes.

18 Q. So -- so Ripple network in your mind is  
19 what today is called the Consensus Ledger or the  
20 XRP Ledger?

21 MR. GULAY: Objection.

22 MR. HORTON: Objection.

23 A. I don't recall Ripple network being a  
24 common term, but people referred Ripple as a  
25 technology and I think that's what you mean by



1 "Ripple network."

2 Q. Okay. Well, as we go through some of  
3 the documents, as we see these terms, then maybe  
4 I'll ask you in the context of the documents what  
5 they mean.

6 A. Yes. Understood.

7 Q. Okay. And was there something called  
8 the Ripple protocol in 2013?

9 A. Yes.

10 Q. Okay. And what is the Ripple protocol?

11 MR. GULAY: Objection. Do you  
12 mean in 2013 --

13 MS. STEWART: Yes.

14 MR. GULAY: -- or now?

15 MS. STEWART: Yes, in 2013.

16 A. I'm not sure if you're using these terms  
17 in a very nuanced way, but Ripple protocol I think  
18 of as code, software. And maybe you're referring  
19 to Ripple network as the network of computers  
20 employing the code? But in some ways those are  
21 synonymous terms, Ripple network and Ripple  
22 protocol.

23 Q. Okay. I was trying to cause less  
24 confusion, but I think I caused more. So as we go  
25 through the documents, I'll ask you -- I'll ask

1     you the question.

2             Do you understand that one of the issues  
3     in this case is whether XRP is a security and  
4     subject to SEC regulation?

5             A.     That is my understanding.

6             Q.     Okay. Did anyone at the SEC ever tell  
7     you that XRP is not a security?

8             A.     No.

9             Q.     Are you aware of anyone at the SEC ever  
10    telling anyone at Ripple that XRP is not a  
11    security?

12            MR. HORTON: Objection to form.

13            A.     I'm not aware of any conversations that  
14    Ripple did or did not have with the SEC.

15            Q.     Okay. So you -- you mentioned that your  
16    sort of primary responsibility at -- at Ripple was  
17    to recruit and onboard market-making firms to  
18    participate on the Ripple Ledger as market makers.

19            Do I have that right?

20            A.     Correct.

21            MR. GULAY: Objection.

22            Q.     Was one of your responsibilities also to  
23    sell XRP?

24            A.     No.

25            Q.     That was never part of your job

1 function?

2 A. No.

3 MR. HORTON: Objection to form.

4 Q. Did you, in fact, sell XRP on behalf of  
5 Ripple?

6 A. I don't recall if I effected a  
7 transaction. I may have, but certainly I did not  
8 frequently effect transactions in XRP.

9 Q. When you started at --

10 A. I'm sorry. I should say with third  
11 parties over the counter. I did trade in the  
12 network, as I said, which is effecting  
13 transactions.

14 Q. Okay. Understood. Thank you for that  
15 clarification.

16 When you started at Ripple, was there a  
17 market for buying and selling XRP?

18 MR. HORTON: Objection to form.

19 A. There was a nascent illiquid market.

20 Q. At that time when you started at Ripple,  
21 how much volume of XRP was -- was traded daily?

22 MR. GULAY: Objection.

23 MS. BUNTING: Objection.

24 A. I don't recall without looking it up. A  
25 very small amount.

1 Q. Something in the range of, you know, in  
2 the hundreds or thousands of dollars?

3 MR. HORTON: Objection to form.

4 MR. GULAY: Objection.

5 A. I don't recall, but a very small amount.  
6 I would say a de minimis amount.

7 Q. And what was XRP's price at that time  
8 when you started?

9 MR. HORTON: Objection to form.

10 MR. GULAY: Objection.

11 A. I don't recall without checking the  
12 chart exactly.

13 Q. Do you recall if it was fractions of a  
14 penny?

15 A. It was fractions of a penny.

16 Q. And how much XRP at that time was in  
17 circulation, meaning not with Ripple or Ripple's  
18 founders?

19 MR. HORTON: Objection to form.

20 MR. GULAY: Objection.

21 MS. STEWART: What's the  
22 objection?

23 MR. HORTON: I don't know what  
24 you mean by "at that time."

25 Q. At the time that you started at Ripple.

1           A.    I think that's publicly available, but I  
2   don't recall without looking it up.

3           Q.    Did Ripple take steps during your tenure  
4   to increase trading in the XRP market?

5                   MS. BUNTING:  Objection.

6           A.    The firm had an interest in increasing  
7   liquidity and developing a liquid market for all  
8   assets on the Ripple Ledger, including XRP.

9           Q.    And why did the firm have an interest in  
10   increasing liquidity for XRP specifically?

11                   MR. HORTON:  Objection to form.

12                   MR. GULAY:  Objection.

13                   MS. BUNTING:  Objection.

14           A.    I think the firm would have viewed it as  
15   a success if the Ripple network, Ripple Ledger,  
16   developed liquidity for other assets excluding  
17   XRP.  I still think that would have been viewed as  
18   a success state.  But certainly, just like I  
19   preferred the price of XRP to go up rather than  
20   down, the firm would have benefited from the price  
21   of XRP growing up rather than down.

22           Q.    Did the firm take steps to increase the  
23   liquidity of assets other than XRP on the --

24           A.    Yes.

25           Q.    -- on the Ripple Ledger?



1 MR. GULAY: Objection.

2 A. Yes.

3 Q. Which assets?

4 A. A variety of assets.

5 Q. Can you give me some examples?

6 A. Sure. We had a number of business  
7 development efforts to increase the liquidity of  
8 bitcoin against dollars on the network. We also  
9 had a number of business development ex -- efforts  
10 to develop a market for gold against dollars on  
11 the network. And there were many other examples.  
12 Those are two that I can recall easily.

13 Q. And what steps did the firm take to  
14 increase liquidity of XRP?

15 MR. GULAY: Objection;  
16 foundation.

17 A. The firm took similar steps to increase  
18 liquidity of those assets that I just mentioned  
19 and XRP. I don't -- I don't think that we treated  
20 them particularly differently. We were interested  
21 in developing a liquid market broadly speaking.  
22 And as I mentioned, if that liquid market  
23 developed outside of XRP, I think the firm viewed  
24 that equally to be a success.

25 Q. Okay. But can you think of any steps



1       that the firm took with respect to XRP in  
2       particular to -- to develop a more liquid market?

3                       MR. GULAY:  Objection.

4               A.    Sure.  So this is not unique to XRP but  
5       it did apply to XRP.  The market-making firms that  
6       I onboarded had received compensation in exchange  
7       for providing quotes to buy and sell XRP against  
8       dollars as well as bitcoin against dollars and --  
9       and other assets.

10            Q.    Okay.  Any other steps that you recall?

11            A.    Not that I can easily recall, no.

12            Q.    When you started at Ripple, did Ripple  
13       have a strategy for distributing XRP?

14                       MR. GULAY:  Objection.

15            A.    When I started at Ripple, generally  
16       speaking, there was a -- there was a -- a desire  
17       to give away the XRP, to distribute it by giving  
18       it away.

19            Q.    Did this desire to -- to distribute XRP  
20       by giving it away, did that change over time  
21       during your time at Ripple?

22                       MR. HORTON:  Objection to form.

23            A.    Over time, yes, the giveaways slowed and  
24       increasingly Ripple was distributing XRP by  
25       selling it or granting it in business development

1 deals, which are forms of giveaways, but different  
2 form than -- than when I started at the company.

3 THE REPORTER: "When I  
4 started..."?

5 A. When I started at the company.

6 Q. And when did the shift happen to --  
7 strike that.

8 When did the shift happen from giveaways  
9 to sales of XRP?

10 MR. HORTON: Objection to form.

11 MR. GULAY: Objection.

12 MS. BUNTING: Objection.

13 A. I don't think there was a discrete  
14 change, but at the beginning of my time with the  
15 firm, it clearly seemed different from at the end  
16 of my time with the firm.

17 Q. Okay. And why -- why did Ripple begin  
18 to -- to sell XRP as a means of distributing it?

19 A. I don't know. I -- I didn't make the  
20 decision -- I believe Ripple sold XRP prior to my  
21 arriving at the firm and I wasn't the person  
22 deciding how and when or why Ripple sold XRP.

23 Q. But fair to say that at some point  
24 during your tenure, there -- there was a movement  
25 from sort of focusing on giveaways to focusing

1 more on sales of XRP?

2 MR. HORTON: Objection to form.

3 MR. GULAY: Objection.

4 A. I think give a -- both -- both things  
5 were happening throughout my tenure at the firm.  
6 I think the nature of the giveaways shifted from  
7 broadly giving it away to anyone to strategically  
8 striking business development deals.

9 Q. And when did Ripple start striking  
10 business development deals?

11 A. Prior to my arrival at the firm and  
12 throughout my time there.

13 Q. Were you involved in -- in those  
14 business development deals?

15 A. In some situations, yes.

16 Q. Was there a team that was in charge of  
17 those business development deals?

18 MS. BUNTING: Objection.

19 A. There was a business development team.

20 Q. Okay. And who was on that team?

21 A. Patrick Griffin was the senior vice  
22 president of business development and there was a  
23 team of -- of people reporting to him. I was -- I  
24 was also on that team as someone reporting to the  
25 senior vice president of business development.

1 Q. But was there somebody else at your  
2 level who -- who was tasked with the business  
3 development deals?

4 MS. BUNTING: Objection.

5 A. There was a team of people who had a  
6 title of business development director who  
7 reported to Patrick Griffin, the senior vice  
8 president of business development.

9 Q. And who was that person with that title?

10 A. There were several people at various  
11 times, but [REDACTED] [REDACTED] [REDACTED]  
12 [REDACTED] are three that I can easily name, easily  
13 recall.

14 Q. When Ripple sold XRP, did it place  
15 restrictions on the resale of the XRP?

16 MR. HECKER: Objection to form.

17 MR. GULAY: Objection;  
18 foundation.

19 A. I believe --

20 MR. GULAY: In fact, what time  
21 period are we talking about here?

22 Q. Well, I'll ask the question first more  
23 generally during your entire -- the entire time  
24 period that you were at Ripple.

25 A. I recall at times the company's desire

1 to have, quote/unquote, lock-ups restricting sale.

2 I'm not aware of how those were structured or  
3 enforced.

4 Q. Are you aware of Ripple placing  
5 restrictions on who the XRP recipient could sell  
6 the XRP to?

7 A. I don't recall any situation like that.

8 Q. So broadly speaking, whether it was  
9 through giveaways or the business development  
10 deals we've talked about or otherwise, why did  
11 Ripple take steps to distribute XRP?

12 MR. GULAY: Objection to form.

13 MR. HORTON: Objection.

14 A. The technology is -- is not -- the  
15 Ripple Consensus Ledger, Ripple protocol  
16 technology, is designed in a way that in order for  
17 a user to use the network, a small amount of XRP  
18 is required. The user is required to hold a small  
19 amount of XRP. And so given that the firm had an  
20 interest in seeing a growth in the number of users  
21 using the protocol, it was important for XRP to be  
22 broadly distributed in the hands of people  
23 globally, people and entities globally.

24 Q. Any other reasons for Ripple to  
25 distribute XRP?



1           A.    I view that as the primary interest  
2   Ripple had in distributing XRP.

3           Q.    Did Ripple distribute XRP in order to  
4   increase XRP's liquidity?

5                   MR. GULAY:  Objection to form.

6           A.    One form of distribution was  
7   compensation to market makers.  So in that sense  
8   Ripple sought to engage market makers to improve  
9   liquidity of XRP and other assets and compensated  
10  them with XRP.  So in that light, I think the  
11  answer to your question is yes.

12          Q.    Any other way in which Ripple sought to  
13  increase liquidity through distributions other  
14  than through market makers?

15                   MR. GULAY:  Objection; asked and  
16  answered.

17          A.    I can't immediately think of other ways,  
18  no.

19          Q.    When Ripple was selling XRP or giving  
20  away XRP, was there a thought that the recipient  
21  of the XRP would then do additional trades, thus  
22  increasing the volume --

23                   MR. GULAY:  Objection.

24          Q.    -- in the market?

25                   MR. HORTON:  Objection to form.



1           A.    I wasn't aware of an assumption one way  
2           or another, that the person would do more trades  
3           or not do more trades.

4           Q.    Okay. Did Ripple sell XRP to raise  
5           money for its business operations?

6                     MR. GULAY: Objection to form.

7           A.    I did not have visibility into the  
8           firm's finances and whether the venture capital  
9           funding was sufficient to meet the firm's needs or  
10          not at various points in time.

11          Q.    So you're not aware one way or -- or the  
12          other as to whether Ripple sold XRP in order to  
13          fund its business operations?

14          A.    I'm aware --

15                     MR. HECKER: Objection.

16          A.    -- that the firm took in dollars in  
17          exchange for selling XRP and I'm aware that that  
18          improved the firm's balance sheet. I'm not aware  
19          of whether that was required capital to fund the  
20          firm's operations or not.

21          Q.    Okay. And what is the -- the venture  
22          capital funding that you spoke about a moment ago?

23          A.    Ripple Labs, Inc., in my understanding,  
24          began with seed funding from venture capitalists  
25          and over time received additional rounds of

1 funding from venture capitalists in exchange for  
2 equity in the company.

3 MS. STEWART: Okay. I'm going to  
4 start with our first document. That's  
5 Exhibit 2.

6 (Whereupon, exhibit is presented  
7 and marked SEC Rapoport Exhibit PR-2 for  
8 identification.)

9 MR. TENREIRO: I'll give one to  
10 Bridget and if that's not enough on this  
11 side...

12 I think that's enough, though.

13 MR. GULAY: And, Jorge, you're  
14 e-mailing it to Leyla?

15 MR. TENREIRO: Yes. Nicole is  
16 usually e-mailing it.

17 MR. GULAY: Nicole is, okay.

18 Thank you.

19 BY MS. STEWART:

20 Q. Okay. So, Mr. Griffin (sic), I've  
21 handed you what we've marked PR-2. That's Bates  
22 number RPLI\_SEC 0320652 through 663. Take a  
23 moment, please, to look at it and let me know when  
24 you're ready.

25 (Pause)

1 A. Okay. I've reviewed it.

2 Q. Okay. Great.

3 So what is this document?

4 A. This is a primer to explain the very  
5 basic concepts of the Ripple technology to a  
6 new -- a new reader.

7 Q. Okay. And did you put this document  
8 together?

9 A. I did.

10 Q. Why did you put it together?

11 A. At the time my recollection was that  
12 there was primarily technical documents for a  
13 technical audience and there was not a simplified  
14 document for a -- a nontechnical person to  
15 familiarize themselves with the technology.

16 Q. And -- and is the audience that you're  
17 referring to the -- the hedge funds and other  
18 institutions that we had talked about earlier?

19 MR. GULAY: Objection to form.

20 MR. HORTON: Objection.

21 A. I think this document can be broadly  
22 read by anybody, but, in general, Ripple had an  
23 interest in financial institutions of all type.  
24 That was the -- the market that we were generally  
25 speaking to at the time.

1 Q. Did someone ask you to put this document  
2 together?

3 A. I don't recall.

4 Q. Did Mr. Griffin send you comments on  
5 this document after you sent him this -- this  
6 version that's in PR-2?

7 A. I don't recall whether he iterated on  
8 this or not.

9 Q. Do you recall if anyone else commented  
10 on it?

11 A. I really don't. It -- it was so long  
12 ago. I don't recall. I'm sorry.

13 Q. And did you ultimately finalize this  
14 document?

15 A. Yes, we did.

16 MS. STEWART: Nicole, we're on  
17 PR-5 now.

18 (Whereupon, exhibit is presented  
19 and marked SEC Rapoport Exhibit PR-5 for  
20 identification.)

21 MS. STEWART: So for the record,  
22 PR-5 -- for the record, PR-5 is Bates  
23 numbered RPLI\_SEC 0328413 through 8432.

24 BY MS. STEWART:

25 Q. And, once again, take however long you

1     need to look at the document and let me know when  
2     you're ready.

3             (Pause)

4             A.    Okay.  I've reviewed it.

5             Q.    Okay.  So what is this document?

6             A.    This is a later version of the document  
7     we just looked at, which, as I said, it's a primer  
8     for someone looking to familiarize themselves with  
9     the basics of Ripple.

10            Q.    Okay.  And you're sending this later  
11    version to Mr. Larsen in this e-mail?

12            A.    I see that from the e-mail header, but I  
13    don't recall this interaction specifically.

14            Q.    Okay.  Do -- do you recall why you sent  
15    the -- the draft to Mr. Larsen?

16            A.    I don't recall this -- sending this  
17    e-mail, but I see the -- in the header that I sent  
18    it to him.

19            Q.    Okay.  Do you recall if Mr. Larsen had  
20    any comments on the primer before it was  
21    finalized?

22                   MS. BUNTING:  Objection.

23            A.    I don't recall.

24            Q.    Do you recall any discussions with  
25    Mr. Larsen about the primer?



1 MS. BUNTING: Objection.

2 A. No, I don't.

3 Q. And do you recall any discussions with  
4 Mr. Griffin about the primer?

5 A. I'm sure we discussed it, but I don't  
6 recall the specifics of any discussion.

7 Q. Did you send the primer to anyone else  
8 at Ripple before it was finalized?

9 A. I may have, but I -- I just don't recall  
10 given how long ago it was.

11 Q. Okay.

12 MS. STEWART: Okay. Nicole,  
13 we're -- we're looking at PR-6 now.

14 (Whereupon, exhibit is presented  
15 and marked SEC Rapoport Exhibit PR-6 for  
16 identification.)

17 MS. STEWART: So for the record,  
18 PR-6 is Bates numbered RPLI\_SEC 0337822  
19 through 7842.

20 BY MS. STEWART:

21 Q. And, once again, please take whatever  
22 time you need to -- to review the document and let  
23 me know when you're ready.

24 (Pause)

25 A. Okay. I've reviewed this.



1 Q. Okay. Great.

2 So what -- what is this document, the  
3 cover e-mail and then the attachment?

4 A. The attachment appears to be the same  
5 attachment, at least I didn't spot any differences  
6 from PR-5's attachment. The cover e-mail appears  
7 to be me sending this primer to [REDACTED] who is  
8 a friend of Chris Larsen's, who I believe had been  
9 a seed investor in the firm, but I'm not sure of  
10 that fact.

11 Q. So is it fair to say that the -- the  
12 version of the primer that's attached to this  
13 document, PR-5, is the final version of the  
14 primer?

15 MR. GULAY: Objection.

16 A. Since this was sent externally, I think  
17 it's clearly a live version, but I think there may  
18 have been other iterations. I just don't recall.

19 Q. Okay. But given that it was sent  
20 externally, it's -- you know, it was a final  
21 version --

22 A. It was --

23 Q. -- at the time?

24 A. I'm sorry for talking over you.

25 It was in use.

1 Q. Okay. Got it.

2 And why were you sending this primer to  
3 Mr. [REDACTED]?

4 A. I recall spending a lot of time on the  
5 language used in the primer; and I don't remember  
6 sending this specific e-mail, but I say in the  
7 e-mail that it runs through a narrative in a nice  
8 way that avoids an emphasis on the new currency.

9 THE REPORTER: I can't hear you.

10 A. It -- I say in the e-mail I think it  
11 runs through the narrative in a nice way that  
12 avoids an emphasis on the new currency.

13 Q. Do you recall if -- if Ripple was  
14 soliciting an investment from Mr. [REDACTED] --

15 MR. GULAY: Objection.

16 Q. -- at this time?

17 A. I do not believe Ripple was soliciting  
18 investment from Mr. [REDACTED] at this time.

19 Q. Okay. And you don't remember one way or  
20 the other why you sent him this document in  
21 October of 2013?

22 A. I don't remember sending this e-mail.  
23 Even though I'm looking at it, I obviously sent  
24 it, but I don't recall the specifics around why I  
25 sent this e-mail.

1 Q. Okay. After you finalized the primer,  
2 did you send it to financial institutions?

3 A. In my recollection, this primer was the  
4 main nontechnical explanation that was in use to  
5 share a written version of -- of the narrative  
6 of -- explaining Ripple.

7 Q. Okay. So did you send the primer to  
8 financial institutions as part of -- of your work  
9 to -- to market XRP?

10 MR. HORTON: Objection to form.

11 MR. GULAY: Objection.

12 MS. BUNTING: Objection.

13 A. My recollection is that we sent this  
14 document to explain the Ripple technology to  
15 interested parties.

16 Q. Okay. What types of interested parties?

17 A. Really all types from nonfinancial  
18 corporates, interested in individuals like [REDACTED]  
19 [REDACTED] hedge funds and financial institutions,  
20 and other -- other types.

21 Q. And did that include individuals or  
22 institutions who were interested in buying XRP?

23 A. I don't -- I wouldn't necessarily know  
24 what someone's interest in buying it was or was  
25 not. In general, our goal and our messaging was

1 focused around explaining the technology and not  
2 on XRP. And we specifically sought to  
3 de-emphasize XRP in our -- in the narrative we  
4 used as this -- as this e-mail indicates.

5 Q. Okay. But my question is, to the extent  
6 that you were trying to get individuals or  
7 institutions to buy XRP, did you send them this  
8 primer?

9 MR. HORTON: Objection.

10 MR. GULAY: Objection to form.

11 MS. BUNTING: Objection.

12 A. I did not try and get individuals or  
13 institutions to buy XRP. And in meetings, the  
14 narrative we used very specifically tried to focus  
15 only on the technology and de-emphasize any  
16 discussions of XRP and digital assets.

17 Q. And why is that? Why did you want to  
18 de-emphasize discussions of digital assets?

19 A. Because our primary objective was to  
20 develop a liquid market for any asset. I think  
21 the company viewed it as a -- as a win  
22 strategically if a liquid market developed for  
23 bitcoin against dollars or gold against dollars or  
24 Euros against dollars. And we largely felt that  
25 the focus on digital assets was a distraction from

1     what we viewed to be applicable use cases in the  
2     real world.

3                 MR. HECKER: Counsel, we've been  
4     going for about 75 minutes. Can we take a  
5     short break?

6                 MS. STEWART: Well, I have more  
7     questions on this document, but -- but we  
8     can come back to it if you'd prefer.

9                 MR. HORTON: Thanks.

10                MS. STEWART: That's fine. We  
11     can go off the record.

12                THE VIDEOGRAPHER: Okay. Going  
13     off the record at 10:15.

14                (Whereupon, a recess is taken.)

15                THE VIDEOGRAPHER: Okay. Back on  
16     the record at 10:30.

17                Go ahead.

18     BY MS. STEWART:

19                Q. Okay. Mr. Rapoport, still looking at  
20     Exhibit PR-6, I want to now go through the  
21     attachment to this document, the -- the Ripple  
22     primer. Okay?

23                A. Yes.

24                Q. So let's first look at page 17 of the  
25     document, which is Bates numbered 37841 on the



1 bottom.

2 A. Yes.

3 Q. Okay. So looking at the top of this  
4 document, the first sentence says "Ripple Labs is  
5 the creator of Ripple."

6 Do you see that?

7 A. Yes.

8 Q. Okay. Did you write that statement?

9 A. Yes.

10 Q. And is it accurate?

11 MR. GULAY: Objection. What time  
12 period are we talking about?

13 Q. Was it accurate when you wrote it?

14 A. No, it was intentionally inaccurate for  
15 the purposes of simplification.

16 Q. Okay. How was it intentionally  
17 inaccurate?

18 A. The Ripple network -- the Ripple  
19 protocol predated the creation of the -- of Ripple  
20 Labs, Inc. as an entity. And so Ripple Labs, Inc.  
21 could not have been the creator of Ripple; but for  
22 the purposes of an entry-level primer, we  
23 thought -- we knowingly thought the simp -- we --  
24 we knowingly wrote this inaccurately thinking that  
25 the simplification was beneficial and that the



1 actual explanation was needlessly confusing for  
2 someone looking for an entry-level primer.

3 Q. Okay. And -- and is it the case that  
4 the predecessor company is OpenCoin?

5 A. No. My understanding is that the Ripple  
6 protocol predates OpenCoin and Ripple Labs, Inc.

7 Q. Okay. The next sentence says "We  
8 developed the protocol and its distributed payment  
9 network, and we now work to support and promote  
10 its growth."

11 Do you see that?

12 A. Yes.

13 Q. Okay. Was that sentence accurate when  
14 you wrote it?

15 A. It suffers from the same inaccuracy as  
16 the preceding sentence, which is that Ripple Labs,  
17 Inc. did not technically develop the protocol; but  
18 the second clause, Ripple Labs did work to support  
19 and promote the growth of the network. That was  
20 accurate.

21 Q. So the "we" in that sentence refers to  
22 Ripple Labs, Inc. or to something else?

23 A. Ripple Labs, Inc.

24 MR. GULAY: Objection.

25 Q. Who developed the protocol?

1           A.    It's not a straightforward question to  
2    answer. My understanding is that there was a --  
3    an early predecessor that I believe was called  
4    Ripple Pay developed by someone who I believe was  
5    called [REDACTED] And his work was further  
6    developed by Jeb McCaleb, Arthur Britto, and David  
7    Schwartz, who were the primary architects of the  
8    consensus -- the method by which the network, the  
9    network of computers, reaches consensus about the  
10   state of the ledger. And my understanding is that  
11   those three people -- Jed McCaleb, Arthur Britto,  
12   David Schwartz -- expanded upon the work of [REDACTED]  
13   [REDACTED] to improve upon his previous work and  
14   develop what became the Ripple protocol.

15           Q.    So the "we" in the sentence that we're  
16    looking at, does the "we" include Chris -- Chris  
17    Larsen?

18                   MS. BUNTING: Objection.

19           A.    The "we" refers to the Ripple Labs team  
20    and Chris Larsen was a member of that team, so,  
21    yes.

22           Q.    But your testimony is that the first  
23    part of the sentence is -- in inaccurate?

24                   MR. GULAY: Objection.

25           A.    I think the phrase "we developed the

1 protocol," meaning Ripple Labs developed the  
2 protocol, can be interpreted a number of ways, but  
3 it does not -- it is not accurate that Ripple  
4 Labs, Inc. or OpenCoin Inc. created the Ripple  
5 protocol as I know it.

6 Q. Okay. And you said earlier about both  
7 the first sentence on this page and then the first  
8 part of the second sentence, that I think you said  
9 that we knowingly made it inaccurate for  
10 simplicity or something to that effect. Do I have  
11 that right?

12 MR. GULAY: Objection.

13 A. I remember writing this sentence and  
14 acknowledging to myself that Ripple Labs is the  
15 creator of Ripple is not technically correct, but  
16 I thought at the time that it was needlessly  
17 confusing to provide the entire history that I  
18 just described for the purpose of this primer.

19 Q. Okay. And did you discuss that issue  
20 with -- with Mr. Griffin?

21 MR. GULAY: Objection.

22 A. I don't recall whether we did or did not  
23 discuss it.

24 Q. Did you discuss it with Mr. Larsen?

25 MS. BUNTING: Objection.

1           A.    I would not have -- I don't recall, but,  
2   in general, I would not have discussed semantics  
3   like that on a document with Chris Larsen.

4           Q.    Okay. Looking at the second paragraph,  
5   still on page 17, it reads "Ripple Labs hopes to  
6   make money from XRP if the world finds the Ripple  
7   network useful and broadly adopts the protocol."

8                   Do you see that?

9           A.    Yes.

10          Q.    And did you write that sentence?

11          A.    Yes.

12          Q.    Okay. Was that sentence accurate when  
13   you wrote it?

14          A.    Yes.

15          Q.    Did it continue to be accurate during  
16   your time at Ripple?

17          A.    Yes.

18          Q.    And as you use it in this sentence, what  
19   is the "Ripple network"?

20          A.    It's synonymous with the Ripple  
21   Consensus Ledger or the Ripple transaction  
22   protocol that was used in this paper.

23          Q.    And -- and the word "protocol" in this  
24   sentence, what -- what does that mean?

25          A.    The software. This goes back to the

1 nuance I was referring to earlier, that I think  
2 the protocol is the software and the network is a  
3 group of computers choosing to use the software.

4 Q. Okay. Then moving on to the -- to the  
5 next paragraph, "100 billion XRP was created with  
6 the Ripple protocol," was that sentence accurate  
7 when you wrote it?

8 A. Yes.

9 Q. Okay. And then "Ripple Labs plans to  
10 gift 55 billion XRP to charitable organizations,  
11 users, and strategic partners in the ecosystem  
12 over time."

13 Was that sentence accurate when you  
14 wrote it?

15 A. Yes.

16 Q. Okay. And what does "strategic partners  
17 in the ecosystem" refer to?

18 A. If a prominent financial institution  
19 were to decide to adopt the Ripple protocol for  
20 payments, for example, we were prepared to provide  
21 that org -- that financial institution with XRP to  
22 help them achieve that goal of -- of implementing  
23 the protocol in their business.

24 Q. And when you say "implementing the  
25 protocol in their business," what do you mean?



1           A.    It could mean a variety of things  
2   because the protocol is broadly applicable to a  
3   number of different types of financial businesses.  
4   But as an example, a bank using Ripple for  
5   cross-border payments.

6           Q.    The next sentence says "The company will  
7   retain a portion with the hope of creating a  
8   robust and liquid marketplace in order to monetize  
9   its only asset sometime in the future."

10                  Do you see that?

11           A.    Yes.

12           Q.    Was this sentence accurate when you  
13   wrote it?

14           A.    Yes.

15           Q.    And did it continue to be accurate  
16   during your time at Ripple?

17           A.    Yes.

18           Q.    Okay.  And -- and when -- when you say  
19   in this sentence "its only asset," what are you  
20   referring to?

21           A.    Looking back, I think that's a little  
22   inarticulate because from an accounting  
23   perspective, the company had other assets, like  
24   desks and chairs and whatnot.  But at the  
25   inception of the company, I think there was a

1 vision that this technology was interesting and  
2 had potential to be adopted. And if the  
3 technology was adopted broadly, there may be an  
4 increase in the price of XRP, which would benefit  
5 the company as a holder of XRP, but there was also  
6 an acknowledgment that the technology may be  
7 broadly adopted and that thesis may not be  
8 correct; that -- that that asset may or may not  
9 appreciate in value. And so this sentence I think  
10 was deliberately worded saying -- using the word  
11 "hope" in multiple places in this -- in this page.

12 Q. So when you say in this sentence  
13 "monetize its only asset," you're referring to  
14 XRP?

15 A. That's correct.

16 Q. And moving on to the next page, page 18,  
17 Bates numbered 7842 on the bottom, the very last  
18 sentence says "The Ripple ecosystem needs  
19 gateways," mark -- "market makers, developers, and  
20 merchants to fulfill its potential."

21 Do you see that?

22 A. Yes.

23 Q. And was that sentence accurate when you  
24 wrote it?

25 A. That was my view at the time. Whether

1 or not it's true I think is debatable.

2 Q. Okay. What was your view based on at  
3 the time?

4 A. Knowledge of the technology and a lot of  
5 hours of thought about the applicability of the  
6 technology in the marketplace.

7 Q. And why is it debatable whether or not  
8 it's true?

9 A. Well, for example, it references  
10 merchants and it is possible for the Ripple net --  
11 ecosystem to fulfill its potential without  
12 merchants. It's unclear what its potential was.  
13 This was an early stage company and, like many  
14 early stage companies, there's a lot of  
15 trajectories it could have taken.

16 Q. Okay. Were you seeking out merchants at  
17 this time for the Ripple ecosystem?

18 A. Yes.

19 Q. What kinds of merchants?

20 A. Merchants involved in the payments flow  
21 of transactions. So, for example, businesses,  
22 infrastructure, and providers of services around  
23 card terminals when you buy something. Like if  
24 you buy a Starbucks coffee using a card, that's  
25 a -- a merchant and infrastructure surrounding the

1 merchant.

2 Q. Okay. And what's the reference to  
3 "gateways" in this sentence?

4 A. Gateways is defined earlier in the  
5 document, but the simplified version is on-ramp or  
6 off-ramp for currencies other than XRP to the  
7 Ripple network.

8 Q. I think you mentioned that -- that  
9 [REDACTED] who's on the cover e-mail of this  
10 exhibit, was a seed investor in Ripple, is that  
11 right?

12 A. That's my recollection.

13 Q. Okay. Do you know if he also owned XRP?

14 MR. GULAY: Objection.

15 A. I don't know whether he did or did not,  
16 but his e-mail implies he does.

17 Q. And when you say your -- his e-mail  
18 observed that he does, what do you mean by that?

19 MR. HORTON: Objection. You  
20 mis -- you misquoted his testimony, but...

21 Q. Okay. Well -- well, can you see  
22 something in his e-mail that suggests that he  
23 owned XRP?

24 A. When I read his e-mail at the bottom of  
25 this page, 22 --

1 Q. Okay.

2 A. -- my takeaway is that he likely owned  
3 XRP.

4 Q. And is that because he says "when my  
5 ripples makes me so rich that I can cover myself  
6 in gold plating"?

7 A. Yes.

8 Q. Okay. Did you have an understanding at  
9 this time in 2013 that certain individuals or  
10 firms bought XRP for speculative reasons?

11 MS. BUNTING: Objection.

12 MR. HORTON: Objection to form.

13 A. I do believe that people speculated on  
14 the price of XRP.

15 Q. Did [REDACTED] speculate on the price of  
16 XRP?

17 MR. HORTON: Objection to form.

18 A. I don't know anything about [REDACTED]  
19 speculations other than this e-mail.

20 Q. And who is [REDACTED]

21 A. He was a high-ranking executive at [REDACTED]  
22 [REDACTED]

23 Q. And you said he was a friend of  
24 Mr. Larsen?

25 A. That's my understanding.



1 Q. Did Ripple seek out investors who were  
2 looking to buy XRP for speculative reasons?

3 MR. GULAY: Objection to form.

4 A. I'm not aware of what all employees did  
5 at the company. I did not actively seek out  
6 investors.

7 Q. Do you know of any Ripple employees who  
8 did actively seek out investors who were looking  
9 to speculate on XRP?

10 A. I'm not aware of that.

11 MR. GULAY: Objection.

12 MS. STEWART: Nicole, we're on  
13 PR-10 now.

14 (Whereupon, exhibit is presented  
15 and marked SEC Rapoport Exhibit PR-10 for  
16 identification.)

17 MS. STEWART: Okay. PR-10 for  
18 the record is Bates numbered RPLI\_SEC  
19 0843205 through 213.

20 BY MS. STEWART:

21 Q. And, once again, if you can take a  
22 moment to look at this document and let me know  
23 when you're done.

24 (Pause)

25 A. Okay. I've reviewed this.

1 Q. Okay. So focusing on the cover e-mail  
2 of PR-10, what is this document?

3 A. What is the cover e-mail?

4 Q. Yeah.

5 A. This appears to be my sending this  
6 document to [REDACTED] and [REDACTED]

7 Q. Okay. Who is [REDACTED]?

8 A. [REDACTED] is an attorney for [REDACTED]  
9 [REDACTED]

10 Q. And who is [REDACTED]?

11 A. [REDACTED] is -- was someone who had  
12 a -- who I was speaking with about potentially  
13 providing market-making services on the Ripple  
14 network.

15 THE REPORTER: "On the..."?

16 A. On the Ripple network.

17 Q. And [REDACTED] is at the firm [REDACTED]  
18 [REDACTED]

19 A. My discussions at this time were  
20 independent of [REDACTED] but, yes, he's the  
21 founder and CEO of [REDACTED]

22 Q. And what do you mean they're  
23 independent -- they "were independent of [REDACTED]  
24 [REDACTED]?"

25 A. His investigation of potentially

1 providing market-making services on the Ripple  
2 network was independent of [REDACTED] as an  
3 entity and was conducted under a separate entity  
4 unrelated to [REDACTED].

5 Q. Okay.

6 A. Unaffiliated.

7 Q. Okay. And what was the result of those  
8 discussions with [REDACTED]?

9 A. He ultimately started a -- a new  
10 unaffiliated entity and -- which that entity  
11 became a market maker on the Ripple network.

12 Q. And which -- what's the entity?

13 A. Its d/b/a name was [REDACTED]. I  
14 don't recall the LLC name.

15 Q. And when did [REDACTED] become a  
16 market maker on the Ripple network?

17 A. I don't recall the date without  
18 researching it.

19 Q. Was it shortly after this e-mail  
20 exchange that we're looking at, PR-10?

21 A. I'm sorry, I don't recall how long  
22 after -- after this e-mail.

23 Q. Okay. And for how long did [REDACTED]  
24 [REDACTED] provide market-making services on the Ripple  
25 network?

1 A. I'm not sure of the answer to that.

2 Q. And on what trades did [REDACTED] act  
3 as a market maker on the Ripple network?

4 MR. GULAY: Objection.

5 A. Could you clarify what you're asking so  
6 I can answer correctly?

7 Q. On what trading pairs? I'll -- I'll  
8 reask my question.

9 Did [REDACTED] act as a market maker  
10 on trading pairs that included XRP?

11 MR. GULAY: Objection.

12 A. I don't recall the specifics of [REDACTED]  
13 [REDACTED] but, generally speaking, the agreements  
14 were very similar across market makers and  
15 required each market maker to quote XRP pair --  
16 pairs against XRP, as well as other pairs, like  
17 bitcoin dollar and gold dollar, and gave Ripple  
18 the right to grow the list of required pairs over  
19 time if I recall correctly.

20 Q. And were the market makers compensated  
21 for quoting pairs that did not include XRP?

22 MR. GULAY: Objection.

23 A. Yes.

24 Q. Were they compensated the same amount as  
25 they were for quoting pairs that did include XRP?